

January 7, 2015

Fiscal 2015 Third-quarter Consolidated Earnings Report (Japanese GAAP)

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange
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Scheduled release of fiscal 2015 Third-quarter Business Report: January 13, 2015

Scheduled payment of dividends: -

Preparation of supplementary explanatory materials for quarterly earnings report: Yes

Quarterly earnings presentation: None

(Figures less than one million are rounded down)

1. Results for the First Three Quarters of Fiscal 2015 (March 1, 2014 to November 30, 2014)

(1) Consolidated Operating Results (Percentages represent changes over the corresponding period of the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Nine months ended November 30, 2014	36,143	21.3	3,862	204.5	4,371	141.6	3,509	340.8
Nine months ended November 30, 2013	29,806	6.2	1,268	(12.7)	1,809	5.9	796	(63.3)

(Note) Comprehensive income

FY2015 Third Quarter ¥4,368 million(7.2%) FY2014 Third Quarter ¥4,075 million(88.7%)

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
Nine months ended November 30, 2014	83.27	83.05
Nine months ended November 30, 2013	18.92	18.91

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of November 30, 2014	65,907	48,536	72.2
As of February 28, 2014	59,302	45,697	75.5

Reference: Shareholders' Equity

As of November 30, 2014 ¥47,615 million As of February 28, 2014 ¥44,772 million

2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
Year ended February 28, 2014	—	17.00	—	17.00	34.00
Year ending February 28, 2015	—	19.00	—		
Year ending February 28, 2015 (projected)				19.00	38.00

(Note) Changes to the latest dividend forecast announced: None

3. Consolidated Outlook for the Fiscal Year Ending February 28, 2015 (From March 1, 2014 to February 28, 2015)

(Percentages represent changes over the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full Year	48,600	11.8	5,200	99.5	5,500	70.8	4,400	284.9	104.40

(Note) Changes to the latest consolidated results forecast announced: None

*Notes

(1) Significant changes in subsidiaries during the period under review (changes in certain specified subsidiaries resulting in revised scope of consolidation) : None

New company: — (Company name) Excluded company: — (Company name)

(2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies, estimates and restatement or corrections

(i) Changes associated with revised accounting standards: None

(ii) Changes other than those in (i) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

(4) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding at period-end (including treasury stock)

As of November 30, 2014	47,033,234 shares	As of February 28, 2014	47,033,234 shares
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(ii) Number of treasury stock at period-end

As of November 30, 2014	4,842,344 shares	As of February 28, 2014	4,934,661 shares
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(iii) Average number of outstanding shares (during the nine months ended November 30)

As of November 30, 2014	42,150,150 shares	As of November 30, 2013	42,077,773 shares
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* Disclosure regarding progress of quarterly review procedures

This quarterly earnings report is not subject to quarterly reviews stipulated in the Financial Instruments and Exchange Act of Japan. As of the time this report was released, the Company has not completed review procedures for the quarterly consolidated financial statements based on the Financial Instruments and Exchange Act.

* Regarding the appropriate use of earnings projections and other noteworthy matters

The above projections are based on information available at the time of release of this report and certain assumptions the Company considers reasonable. Actual results may differ materially from projections due to a variety of factors. For information regarding the assumptions and other matters related to earnings projections in this report, refer to "(3) Explanation Concerning the Consolidated Earnings Projections and Other Forecasts " under "1. Qualitative Financial Information" on page 4.

1. Qualitative Financial Information

(1) Qualitative Information Related to Consolidated Operating Results

During the first three quarters of the fiscal year ending February 28, 2015, the U.S. economy continued to see a broad-based economic recovery, mainly centered on firm consumer spending. Europe showed a trend toward gradual economic recovery, albeit partial lulls were observed in some quarters. In Asia, the pace of growth slowed in Southeast Asia with the Chinese economy showing signs of a slowdown. In Japan, the economy tended to remain slow-moving, despite the continued pickup in demand from the fallback subsequent to the surge in demand that had occurred ahead of the consumption tax rise.

In the major markets in which the Star Micronics Group operates, levels of demand in the machine tools markets in Japan and overseas rose year on year. In the Special Products Segment, the POS-related markets experienced strong demand in North America and Japan, and also showed a recovery trend in Europe. In the markets related to precision products, there was strong demand in the wristwatch-related sector for both completed products and movements, and demand also increased mainly for the automotive-related sector.

The exchange rate during the first three quarters of fiscal 2015 reflected a depreciation of the yen against both the U.S. dollar and the euro compared with the same period of the previous fiscal year.

Amid this environment, the Star Micronics Group substantially increased sales in all businesses, primarily in machine tools. As a result of this, and with the impact of the weaker yen, Star Micronics reported consolidated net sales of ¥36,143 million, up 21.3% year on year, for the first three quarters of fiscal 2015. Profits increased substantially, with operating income at ¥3,862 million, up 204.5% from the same period of fiscal 2014, and ordinary income at ¥4,371 million, up 141.6% year on year. Net income increased 340.8% year on year to ¥3,509 million.

Performance by segment was as follows:

(Special Products)

In POS printers, sales increased significantly in all regions. In the U.S. and Japanese markets, sales centered on applications for payment systems using smartphones and tablets (mobile POS system) were strong. Sales also grew in the European market alongside the gradual economic recovery. In the Asian market, sales of dot-matrix printers increased in China.

As a result, sales and profits increased substantially with segment sales up 29.9% year on year to ¥8,727 million and operating income up 153.5% to ¥1,521 million.

(Machine Tools)

In CNC automatic lathes, sales in the European market increased sharply, reflecting solid sales amid a continuing recovery in orders, mainly in the automotive-related sector. However, sales in the U.S. market declined year on year, primarily due to a lagging recovery in sales in the mainstay medical equipment-related sector. Sales increased substantially in the Asian market, with strong sales in the automobile-, communications-, and medical equipment-related sectors in East Asia, despite weak sales in the automotive-related sector in Southeast Asia. Sales increased significantly in the Japanese market, reflecting strong sales primarily in the automobile-related sector.

As a result, sales and profits increased substantially with segment sales up 32.3% year on year to ¥23,821 million, and operating income up 60.6% to ¥3,505 million.

In this context, by June 2014 Star Micronics had put in place at the Thai factory an integrated production system ranging from parts machining to final assembly.

(Precision Products)

Sales of wristwatch components increased markedly due to strong sales to wristwatch makers. In non-wristwatch components, overseas sales were brisk for components for hard disk drives (HDDs), air conditioning-related components, and medical equipment-related components, with sales centered on automotive-related components. Consequently, overall sales in non-wristwatch components increased markedly year on year.

As a result, sales and profits increased substantially, with segment sales up 27.1% year on year to ¥3,595 million, and operating income of ¥609 million, an increase of 352.5% from the same period of fiscal 2014.

(2) Explanation Concerning Financial Position

Total assets as of the end of the third quarter amounted to ¥65,907 million, up ¥6,605 million from February 28, 2014. This was primarily due to an increase in inventories and trade receivables. Total liabilities amounted to ¥17,371 million, an increase of ¥3,767 million from the end of the previous fiscal year, primarily due to an increase in trade payables. Total net assets amounted to ¥48,536 million, an increase of ¥2,838 million compared to February 28, 2014, mainly due to an increase in retained earnings.

(3) Explanation Concerning the Consolidated Earnings Projections and Other Forecasts

Earnings projections have been left unchanged from the projections announced on September 30, 2014.